Top Glove Corporation

Orders to Pick Up in The US

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TOPGLOV is potentially taking market share away from other glove players in the US market. It is optimistic of rising US sales to drive double-digit sales volume in 4QFY25, underpinned by higher orders there. Amplifying the optimism is US sales in July gaining further momentum which now accounts for 30% of group volume sales. It is targeting US to account for 40% of group volume sales over the next two years. We maintain our earnings forecasts, TP of RM0.93 and OUTPERFORM call.

The key takeaways from a meeting yesterday are as follows:

1. The group is targeting US to account for 40% of group volume sales over the next two years. It is optimistic of a strong sequential sales volume growth in 4QFY25 due to higher sales order from the US market which more than offset a slower Europe. The group highlighted that its exports to the US are continuing to show improvement with US sales accounting for 30% of total group volume sales presently (vs. 3QFY25 which stood at 26% or +21% QoQ in 3QFY25) which is above the pre-pandemic average of 20%−30%. Theoretically, US ASP is higher than in Europe and hence translates to better margins. Given their sheer size in capacity, we view their strategy to gain more market share in the US makes sense since higher utilisation would render better economies of scale and lead to lower cost per unit.

2. It reiterated for sales volume to grow 15% QoQ, driven by US orders and higher utilisation in 4QFY25. In fact, June CY25 utilisation rate was 65% compared to 61% in 3QFY25 (58% in 2QFY25). This translates to >3.3b pieces of volume sales per month compared to <3b pieces in April CY25. For illustration purposes, the additional 300m piece per month translate to RM70m per quarter or 2% of revenue. The group is optimistic on demand trend allaying concerns from the impact of recent tariff-related disruptions, as there is only so long customers can hold off buying. In fact, the group has started seeing orders flowing back in June and July and expect momentum to continue in Aug.

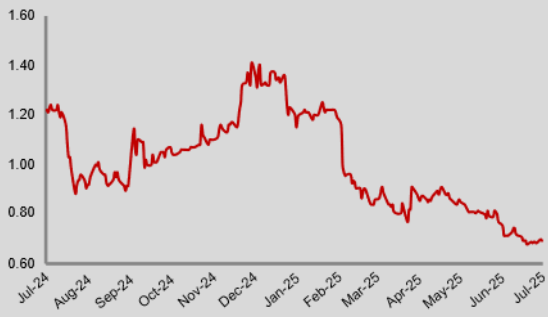
3. The company noted that a more pronounced effects of rising ASP will only be felt pending greater clarity over US tariff plans. Factoring in the 80%-130% tariffs imposed on China medical gloves in 2025-26, the pricing gap between Malaysia and China producers for US market still favours the former i.e. 10-30% cheaper. The other major player in the medical grade glove in Thailand of which US tariffs are at 36%. However, the reciprocal tariff on Vietnam and Indonesia has been reduced to 20% (previously 40%) and 19% (previously 32%), making them slightly cheaper compared to Malaysian glove makers. Nevertheless, Vietnam's global market share in the medical grade glove is <2% of global supply. A certain Chinese player may ramp production in Indonesia due to tariff differential would be a risk, albeit starting at around 1% of global supply by our checks, and maybe sentiment negative to Malaysia given an improved tariff rate of 19% vs Malaysia's 25%. We wait to see what outcome Malaysia is able to achieve.

OUTPERFORM ↔

Price: **RM0.70**

Target Price: **RM0.93** ↔

Share Price Performance



KLCI	1,525.40
YTD KLCI change	-7.1%
YTD stock price change	-48.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	TOPG MK
Market Cap (RM m)	5,572.4
Shares Outstanding	8,017.8
52-week range (H)	1.25
52-week range (L)	0.68
3-mth avg. daily vol.	14,903,908
Free Float	49%
Beta	1.1

Major Shareholders

Tan Sri Dr Lim Wee Chai	28.0%
Central Depository Pte Ltd	11.3%
Firstway United Corp	7.9%

Summary Earnings Table

FY Aug (RM m)	2024A	2025F	2026F
Turnover	2516	3424	3955
PBT / (LBT)	-33	146	218
Net Profit / (Loss)	-62	75	134
Core NP / (Loss)	(158.5)	75	134
Consensus NP	-	60	148
Earnings Revision (%)	-	-	-
EPS (sen)	-0.8	1.8	2.4
EPS Growth (%)	(93.5)	NM	32.8
NDPS (sen)	-	0.9	1.2
BVPS (RM)	0.56	0.56	0.57
PER (x)	NM	76.4	42.4
PBV (x)	1.2	1.3	1.2
Net gearing (%)	-	1.3	2.1
Net Div. Yield (%)	-	0.7	1.2

4. Going forward, the group does not foresee Chinese glove makers' ASP in CY22-CY23 at USD13 per 1,000 pieces which is below cost. The group estimates that Chinese glove makers break even ASP is USD14-USD15 per 1,000 pieces compared to efficient Malaysian producers at USD15-16. The indicative price from a certain Chinese glove maker plant in Indonesia of USD16-17 per 1,000 pieces is close to Malaysian glove makers pricing of USD17-18 per 1,000 pieces.

Valuations. We maintain our TP of RM0.93 based on unchanged 1.6x FY26F BVPS. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 3). It is trading at deep value, pricing at close to worst of the down-cycle currently trading at 2.0 SD below its historical 1-year forward average. Anecdotal evidence suggests that despite the impact of tariff-related disruptions, there is only so long customers can hold off making purchases. If past history is of any guide, based on previous down-cycles, Malaysian glove makers' stock prices will start to re-rate once the ASP concerns subside, and demand starts flowing back to Malaysian glover makers. **Reiterate OUTPERFORM**.

Key risks to our recommendation include: (i) certain Chinese glove giants continues its predatory pricing practices (i.e. selling below cost over an extended period of time to eliminate competitors), leading to a price war, (ii) lower-than-expected volume sales, (iii) further changes in tariffs which have happened before.

Income Statement

FY Aug (RM m)	2022A	2023A	2024A	2025F	2026F
Revenue	5,573	2,257	2,516	3,424	3,955
EBITDA	722	(544)	153	407	486
Depreciation	(348)	(343)	(288)	(263)	(271)
PBT	365	(898)	(33)	146	218
Taxation	(73)	193	15	(32)	(48)
MI	(56)	(59)	(44)	(39)	(35)
Net Profit	236	(927)	(62)	75	134

Balance Sheet

FY Aug (RM m)	2022A	2023A	2024A	2025F	2026F
PPE	4502.9	3931.7	3623.1	3773.1	3923.1
Subs. & Assoc.	9.8	3.6	6.6	6.6	6.6
Inventories	564.0	300.2	355.8	484.2	559.2
Receivables	236.1	196.3	371.2	505.2	583.5
Other assets	1802.1	1704.5	1569.0	1300.0	1300.0
other investments	506.3	654.5	648.8	648.8	648.8
Cash	444.1	290.1	351.4	902.6	854.7
Total Assets	8065.3	7080.8	6926.0	7620.5	7875.9
LT borrowings	93.0	13.0	0.0	790.0	790.0
ST borrowings	306.1	540.4	398.0	190.0	190.0
Payables	426.5	283.7	406.6	553.4	639.1
Other liabilities	435.1	324.9	301.3	301.3	301.3
Minorities	1214.3	1211.6	1205.8	1245.2	1280.6
Net Assets	5590.3	4707.3	4614.2	4540.6	4674.8
Share capital	1842.2	1843.3	1847.0	1847.0	1847.0
Reserves	3748.1	2863.9	2767.2	2693.6	2827.8
Equity	5590.3	4707.2	4614.2	4540.5	4674.8

Cashflow Statement

FY Aug (RM m)	2022A	2023A	2024A	2025F	2026F
Operating CF	136	131	38	368	429
Investing CF	172	-382	248	-92	-89
Financing CF	-740	93	-185	275	-388
Change In Cash	-433	-158	102	551	-48

Financial Data & Ratios

FY Aug	2022A	2023A	2024A	2025F	2026F
Growth					
Turnover	-66.0%	-59.5%	11.5%	36.1%	15.5%
EBITDA	-93.1%	-175.4%	-128.1%	166.0%	19.5%
Operating Profit	-96.3%	-337.4%	-84.8%	-207.1%	49.6%
PBT	-96.4%	-345.7%	-96.3%	-539.5%	49.0%
Core Net Profit	-97.0%	-492.6%	-82.9%	-147.0%	80.1%
Profitability					
EBITDA Margin	13.0%	-24.1%	6.1%	11.9%	12.3%
Operating Margin	6.7%	-39.3%	-5.4%	4.2%	5.5%
PBT Margin	6.6%	-39.8%	-1.3%	4.3%	5.5%
Core Net Margin	4.2%	-41.0%	-6.3%	2.2%	3.4%
Effective Tax Rate	20.0	21.5	45.7	22.0	22.0
ROA	5.1%	-25.4%	-2.3%	3.2%	7.7%
ROE	4.1%	-18.9%	-1.3%	2.1%	5.7%
Valuations					
EPS (sen)	2.9	-11.3	-0.8	0.9	1.6
NDPS	1.4	-5.7	0.0	0.5	0.8
BVPS (RM)	0.68	0.58	0.56	0.56	0.57
PER (x)	24.2	-6.2	-92.2	76.4	42.4
Net div (%)	2.1	-8.1	0.0	0.7	1.2
P/BV (x)	1.0	1.2	1.2	1.3	1.2

Source: Kenanga Research, Bursa Malaysia

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	☆		
	Community Investment	★	★	★		
	Workers Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★	☆	
	Anti-Corruption Policy	★	★	★		
	Emissions Management	★	★	☆		
SPECIFIC	Product Quality & Safety	★	★	★		
	Effluent/Waste Management	★	★	★		
	Automation & Innovation	★	★	★	☆	
	Energy Efficiency	★	★	★	☆	
	Supply Chain Management	★	★	★		
	Legal & Regulatory Compliance	★				
	OVERALL	★	★	★		

☆ denotes half-star
★ -10% discount to TP
★★ -5% discount to TP
★★★ TP unchanged
★★★★ +5% premium to TP
★★★★★ +10% premium to TP

Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net. Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
HARTALEGA HOLDINGS BHD	OP	1.54	3.20	107.8%	5,256.4	Y	03/2026	4.6	5.6	109%	23%	33.7	27.4	1.2	3.6%	3.0	1.9%
KOSSAN RUBBER INDUSTRIES	OP	1.40	2.70	92.9%	3,549.6	Y	12/2025	6.4	6.4	36%	1%	21.9	21.8	1.0	4.4%	4.0	2.9%
SUPERMAX CORP BHD	MP	0.630	0.700	11.1%	1,926.1	N	06/2025	(3.0)	1.0	-157%	-66%	NM	60.5	0.5	-2.2%	0.0	0.0%
TOP GLOVE CORP BHD	OP	0.695	0.930	33.8%	5,572.4	Y	08/2025	0.9	1.6	-53%	80%	76.4	42.4	1.2	1.6%	0.5	0.7%

Source: Kenanga Research

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Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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